

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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LAB-04 SIL-01 OMB-01 SAM-01 DODE-00 PM-03 H-01 L-02

NSC-05 PA-01 PRS-01 SS-15 USIA-06 EURE-00 /084 W

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P R 261542Z FEB 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 1865

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LIMITED OFFICIAL USE LISBON 1068

E.O. 11652: N/A

TAGS: ECON, ELAB, PO

SUBJ: SALES SUBSIDIARIES REACH APPARENT SETTLEMENT

REF: (A) LISBON 1003; (B) LISBON 1014

1. ACCORDING LATEST REPORT FROM CHEMSEARCH ESPANOLA OFFICIAL ALF JOHNSEN, COMPANY HAS COME TO TENTATIVE AGREEMENT WITH REPRESENTATIVES OF DISSIDENT WORKERS. AGREEMENT CALLS FOR COMPANY TO DEPOSIT WITH LOCAL BANK AMOUNT EQUIVALENT TO ESTIMATED IDEMNIZATIONS IF LOCAL PROQUICHEME AND CERTIFIED SUBSIDIARIES WERE TO DISMISS ALL WORKERS AND CEASE OPERATIONS.

2. ACCORDINGLY, U.S. PARENT COMPANY IS TELEXING DOLS 250,000 TO LOCAL BRANCH OF BANK OF LONDON AND SOUTH AMERICA. FUND IS TO BE HELD THERE AT DISPOSITION OF COMPANY FOR PERIOD OF SIX MONTHS. ANY ACTUAL IDEMNIZATIONS ARE TO BE HANDLED THROUGH SPANISH EMBASSY. ARRIVAL OF MONEY WAS ANTICIPATED FOR MORNING OF FEBRUARY 26, TO BE FOLLOWED BY FINAL AGREEMENT AT LABOR MINISTRY. COMPANY IS BEING REPRESENTED NOW BY PROMINENT LOCAL LAWYER (AND FORMER LAW SCHOOL DEAN) DR. FERNANDO ABRANCHES FERRAO.

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3. JOHNSEN APPEARED RESIGNED TO ACCEPTANCE OF WHAT HE DESCRIBED AS "SHEER BLACKMAIL". HE HOPED THAT THIS WOULD LEAD TO FINAL AGREEMENT IN DISPUTE WHICH HAS SEEN DEMANDS ESCALATED FROM INITIAL DOLS 20,000 TO PRESENT AMOUNT. HOWEVER, HE WAS NOT CERTAIN THAT IT WOULD, AS HE QUOTED DISSIDENT WORKERS AS SAYING "WE'RE GOING TO CLOSE YOU DOWN YET."

4. PREMISES OF FIRMS REMAIN OCCUPIED BY DISSIDENT WORKERS AND PICKETS REMAIN AT HOTEL. JOHNSEN SAID THAT MAJORITY OF WORKERS HAD WANTED TO OCCUPY PREMISES THEMSELVES (IN BEHALF OF MANAGEMENT), BUT HE HAD DISCOURAGED IT, WANTING TO AVOID A CONFRONTATION. HE HAS ALSO TRIED TO AVOID ANY PUBLICITY. SOLE MENTION OF CASE SO FAR IS REPORTED SMALL COVERAGE IN FEBRUARY 25'S SPANISH PRESS.

5. COMMENT: HIGH-LEVEL CONTACTS (REFTEL B) DO NOT SEEM TO HAVE HELPED FIRM. IT HAS BEEN FORCED TO WHAT APPEARS AN EXCESSIVE SETTLEMENT FOR APPARENTLY POLITICAL REASONS. THIS CASE COULD SET A BAD PRECEDENT FOR OTHER FOREIGN FIRMS DOING BUSINESS HERE. EMBASSY OFFERED ASSISTANCE BUT FIRM PREFERRED TO HANDLE MATTER ITSELF.

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